



ANNUAL REPORT 2017

YEAR ENDED MARCH 31, 2017

ICOM INCORPORATE

Financial Highlights

ICOM INCORPORATED AND SUBSIDIARIES

Years ended March 31, 2017, 2016 and 2015

	Millions of yen			Thousands of U.S. dollars
	2017	2016	2015	2017
Net sales	¥ 24,092	¥ 26,875	¥ 26,399	\$ 214,762
Operating income	732	2,368	2,501	6,525
Income before income taxes	724	2,349	2,992	6,454
Net income	474	1,660	2,115	4,225
Net income attributable to owners of parent	474	1,660	2,115	4,225
Total assets	¥ 58,324	¥ 59,201	¥ 58,660	\$ 519,914
Amounts per share:	Yen			U.S. dollars
Net assets	¥ 3,625.42	¥ 3,613.66	¥ 3,637.17	\$ 32.32
Net income – basic	31.98	112.03	142.72	0.29
Net income – diluted	–	–	–	–
Cash dividends	20.00	36.00	35.00	0.18

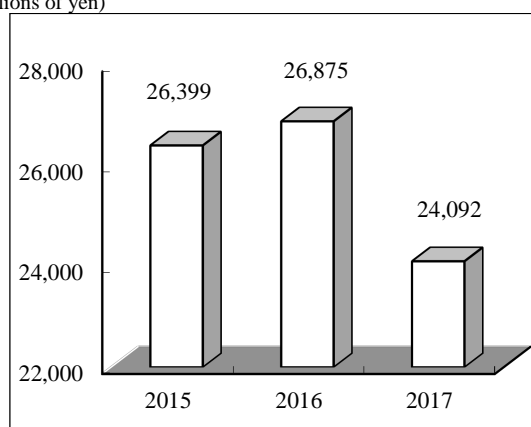
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥112.67 = U.S.\$1.00, the exchange rate prevailing on March 31, 2017.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

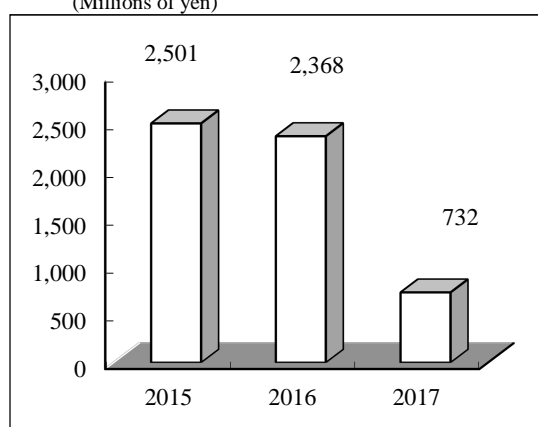
Net Sales

(Millions of yen)



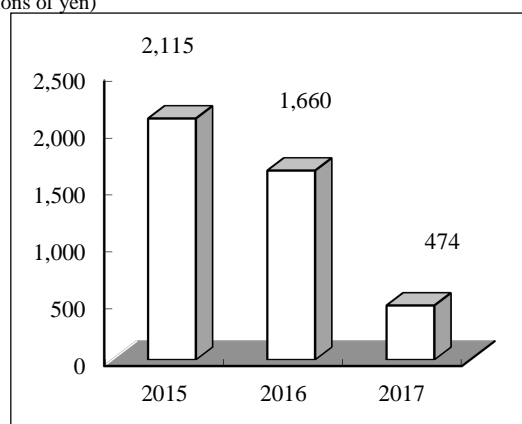
Operating Income

(Millions of yen)



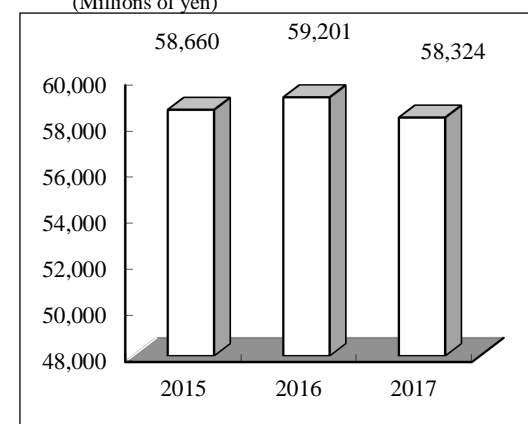
Profit attributable to owners of parent

(Millions of yen)



Total Assets

(Millions of yen)



Operating Highlights

GEOGRAPHICAL SEGMENT INFORMATION

Years ended March 31, 2017 and 2016

	Millions of yen				Thousands of U.S. dollars	
	Net sales		Operating income (loss)		Net sales	Operating income (loss)
	2017	2016	2017	2016	2017	2017
Japan	¥ 20,776	¥ 23,129	¥ 500	¥ 2,209	\$ 185,203	\$ 4,458
North America	7,325	8,879	(37)	10	65,296	(331)
Europe	1,070	1,091	36	(5)	9,538	321
Asia & Oceania	1,272	1,310	31	(33)	11,339	276
Eliminations	(6,351)	(7,534)	202	187	(56,614)	1,801
Consolidated total	¥ 24,092	¥ 26,875	¥ 732	¥ 2,368	\$ 214,762	\$ 6,525

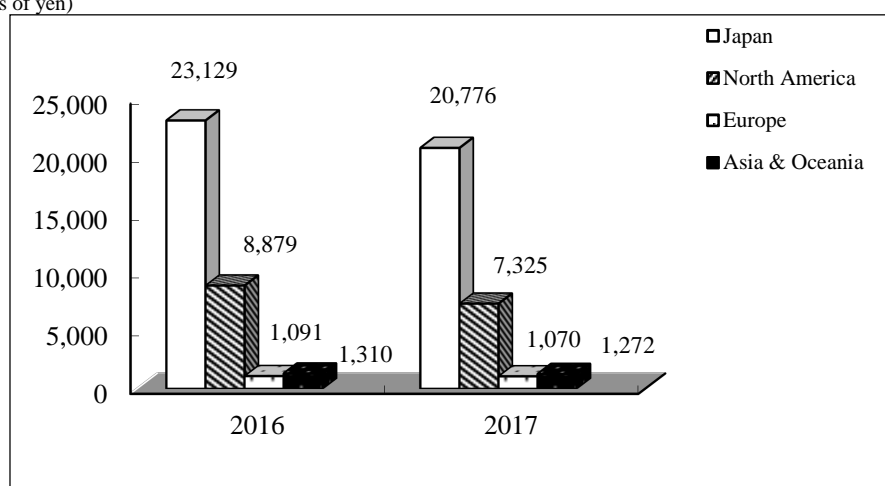
Notes:

1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥112.18 = U.S.\$1.00, the exchange rate prevailing on March 31, 2017.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

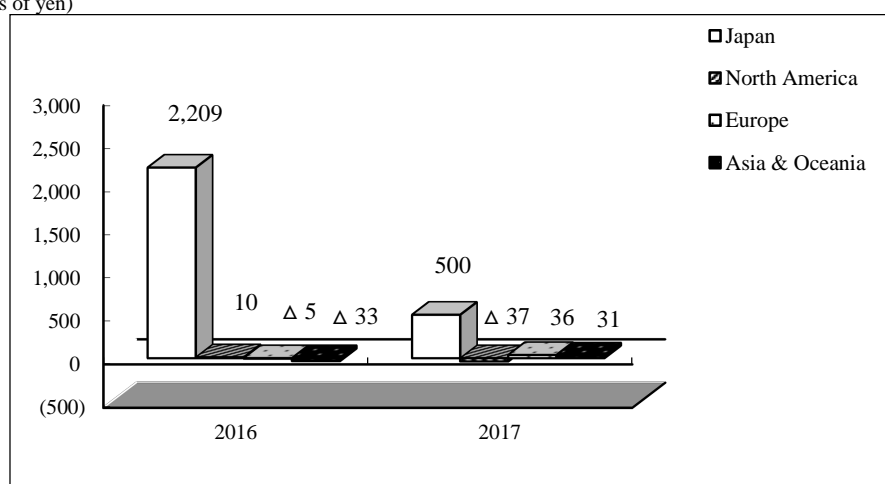
Net Sales

(Millions of yen)



Operating Income (Loss)

(Millions of yen)



Operating Highlights

OVERSEAS SALES

Years ended March 31, 2017 and 2016

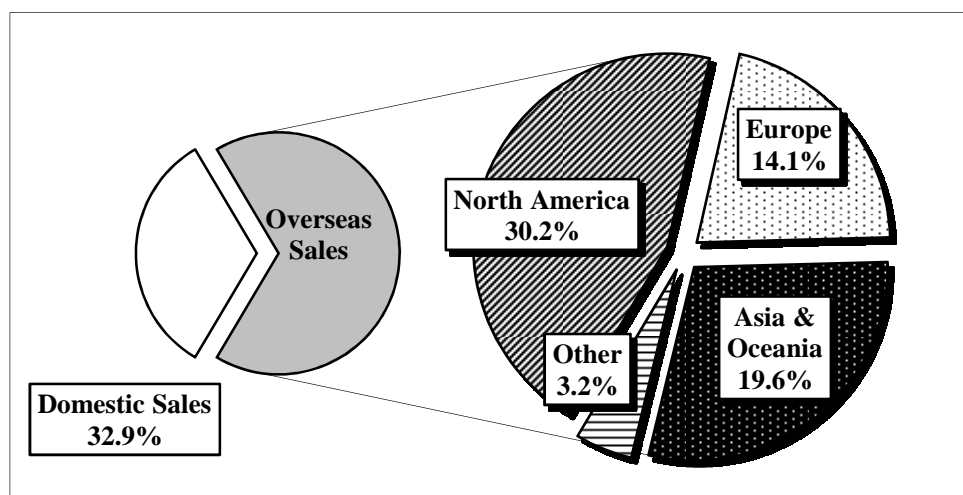
	Millions of yen				Thousands of U.S. dollars	
	2017 (Unaudited)		2016		2017 (Unaudited)	
North America	¥ 6,504	27.0%	¥ 8,130	30.2%	\$ 57,978	
Europe	3,592	14.9	3,790	14.1	32,020	
Asia & Oceania	5,345	22.2	5,266	19.6	47,647	
Other	680	2.8	849	3.2	6,062	
Overseas total	16,121	66.9	18,035	67.1	143,707	
Domestic total	7,971	33.1	8,840	32.9	71,055	
Consolidated total	¥ 24,092	100.0%	¥ 26,875	100.0%	\$ 214,762	

Notes:

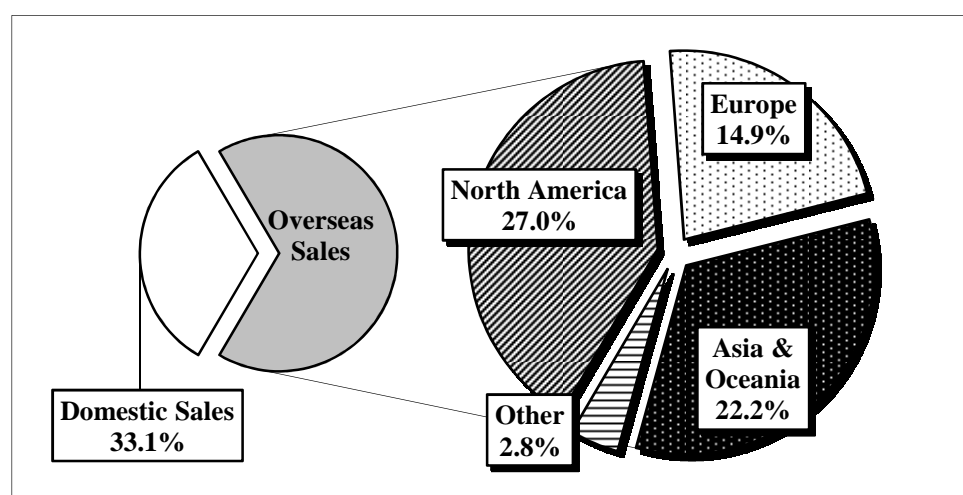
1. All dollar amounts herein refer to U.S. dollars translated from Japanese yen at ¥112.18 = U.S.\$1.00, the exchange rate prevailing on March 31, 2017.

2. Amounts shown in millions of yen and thousands of dollars are rounded off to the nearest million or thousand.

Net Sales 2016



Net Sales 2017



ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
Assets	2017	2016	2017
Current assets:			
Cash and deposits (<i>Notes 3, 4 and 10</i>)	¥ 31,091	¥ 32,986	\$ 277,153
Marketable securities (<i>Notes 3, 4 and 5</i>)	300	401	2,674
Notes and accounts receivable (<i>Note 4</i>)	4,686	5,144	41,772
Allowance for doubtful accounts	(17)	(28)	(152)
	4,669	5,116	41,620
Inventories (<i>Note 6</i>)	6,422	6,379	57,247
Deferred income taxes (<i>Note 8</i>)	331	512	2,951
Other current assets	1,766	1,436	15,743
Total current assets	44,579	46,830	397,388
 Property, plant and equipment:			
Land	4,150	4,152	36,994
Buildings and structures	6,800	6,808	60,617
Machinery and equipment	12,693	12,577	113,149
Vehicles and other	202	204	1,801
Construction in progress	11	10	98
Property, plant and equipment, at cost	23,856	23,751	212,659
Less accumulated depreciation	(16,377)	(15,883)	(145,989)
Property, plant and equipment, net (<i>Note 14</i>)	7,479	7,868	66,670
 Investments and other assets:			
Investments in securities (<i>Notes 4 and 5</i>)			
Investments in affiliates	96	85	856
Other	2,788	2,989	24,853
Other investments	2,713	792	24,184
Deferred income taxes (<i>Note 8</i>)	578	629	5,152
Intangible assets (<i>Note 14</i>)	146	63	1,301
Allowance for doubtful accounts	(55)	(55)	(490)
Total investments and other assets	6,266	4,503	55,856
Total assets (<i>Note 14</i>)	¥ 58,324	¥ 59,201	\$ 519,914

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Balance Sheet

March 31, 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
Liabilities and net assets	2017	2016	2017
Current liabilities:			
Accounts payable - trade (Note 4)	¥ 1,154	¥ 1,328	\$ 10,287
Accounts payable - other	442	632	3,940
Accrued income taxes (Note 8)	26	217	232
Deferred income taxes (Note 8)	—	1	—
Accrued expenses	558	665	4,974
Accrued bonuses	396	458	3,530
Warranty reserves	48	48	428
Other current liabilities	122	123	1,088
Total current liabilities	<u>2,746</u>	<u>3,472</u>	<u>24,479</u>
Long-term liabilities:			
Deferred income taxes (Note 8)	21	140	187
Liability for retirement benefits (Note 7)	1,268	1,451	11,303
Other long-term liabilities	568	591	5,064
Total long-term liabilities	<u>1,857</u>	<u>2,182</u>	<u>16,554</u>
Net assets:			
Shareholders' equity (Note 9):			
Common stock:			
Authorized — 34,000,000 shares;			
Issued — 14,850,000 shares in 2017 and 2016	7,081	7,081	63,122
Capital surplus	10,449	10,449	93,145
Retained earnings (Note 16)	36,187	36,128	322,579
Less treasury stock, at cost:			
32,190 shares in 2017 and 32,083 shares in 2016	(104)	(104)	(927)
Total shareholders' equity	<u>53,613</u>	<u>53,554</u>	<u>477,919</u>
Accumulated other comprehensive income (loss)			
(Note 12):			
Net unrealized holding gain on securities (Note 5)	22	20	196
Translation adjustments	338	396	3,013
Retirement benefit liability adjustments (Note 7)	(252)	(423)	(2,247)
Total accumulated other comprehensive income (loss)	<u>108</u>	<u>(7)</u>	<u>962</u>
Total net assets	<u>53,721</u>	<u>53,547</u>	<u>478,881</u>
Total liabilities and net assets	<u>¥ 58,324</u>	<u>¥ 59,201</u>	<u>\$ 519,914</u>

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Income

Year ended March 31, 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	<u>2017</u>	<u>2016</u>	<u>2017</u>
Net sales (Note 14)	¥ 24,092	¥ 26,875	\$ 214,762
Cost of sales (Notes 6 and 14)	14,017	15,035	124,951
Gross profit	<u>10,075</u>	11,840	<u>89,811</u>
Selling, general and administrative expenses (Notes 11 and 14)	9,343	9,472	83,286
Operating income (Note 14)	<u>732</u>	2,368	<u>6,525</u>
Other income (expenses):			
Interest and dividend income	96	182	856
Gain on sales of investment in securities, net (Note 5)	56	9	499
Foreign exchange loss, net	(57)	(77)	(508)
Gain on sales of property, plant and equipment	1	1	9
Sales discounts	(146)	(175)	(1,301)
Other, net	42	41	374
	<u>(8)</u>	(19)	<u>(71)</u>
Profit before income taxes	<u>724</u>	2,349	<u>6,454</u>
Income taxes (Note 8):			
Current	212	590	1,890
Deferred	38	99	339
	<u>250</u>	689	<u>2,229</u>
Profit	<u>¥ 474</u>	¥ 1,660	<u>\$ 4,225</u>
Profit attributable to owners of parent (Note 13)	<u>¥ 474</u>	¥ 1,660	<u>\$ 4,225</u>

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES
**Consolidated Statement of
Comprehensive Income**

Year ended March 31, 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2017	2016	2017
Profit	¥ 474	¥ 1,660	\$ 4,225
Other comprehensive income (loss) (Note 12):			
Net unrealized holding gain on securities	2	3	18
Translation adjustments	(58)	(507)	(517)
Retirement benefit liability adjustments	171	(941)	1,524
Total other comprehensive income (loss)	115	(1,445)	1,025
Comprehensive income	¥ 589	¥ 215	\$ 5,250
 Total comprehensive income attributable to: Owners of parent	 ¥ 589	 ¥ 215	 \$ 5,250

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Changes in Net Assets

Year ended March 31, 2017

Millions of yen

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total net assets
Balance at April 1, 2015	14,850,000	¥ 7,081	¥ 10,449	¥ 35,031	¥ (103)	¥ 17	¥ 903	¥ 518	¥ 53,896
Profit attributable to owners of parent for the year	—	—	—	1,660	—	—	—	—	1,660
Cash dividends	—	—	—	(563)	—	—	—	—	(563)
Purchases of treasury stock	—	—	—	—	(1)	—	—	—	(1)
Other changes	—	—	—	—	—	3	(507)	(941)	(1,445)
Balance at April 1, 2016	14,850,000	¥ 7,081	¥ 10,449	¥ 36,128	¥ (104)	¥ 20	¥ 396	¥ (423)	¥ 53,547
Profit attributable to owners of parent for the year	—	—	—	474	—	—	—	—	474
Cash dividends	—	—	—	(415)	—	—	—	—	(415)
Purchases of treasury stock	—	—	—	—	(0)	—	—	—	(0)
Other changes	—	—	—	—	—	2	(58)	171	115
Balance at March 31, 2017	14,850,000	¥ 7,081	¥ 10,449	¥ 36,187	¥ (104)	¥ 22	¥ 338	¥ (252)	¥ 53,721

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Translation adjustments	Retirement benefit liability adjustments	Total net assets
Balance at April 1, 2016	\$ 63,122	\$ 93,145	\$ 322,054	\$ (927)	\$ 178	\$ 3,530	\$ (3,771)	\$ 477,331
Profit attributable to owners of parent for the year	—	—	4,225	—	—	—	—	4,225
Cash dividends	—	—	(3,700)	—	—	—	—	(3,700)
Purchases of treasury stock	—	—	—	(0)	—	—	—	(0)
Other changes	—	—	—	—	18	(517)	1,524	1,025
Balance at March 31, 2017	\$ 63,122	\$ 93,145	\$ 322,579	\$ (927)	\$ 196	\$ 3,013	\$ (2,247)	\$ 478,881

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended March 31, 2017

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2017	2016	2017
Operating activities:			
Profit before income taxes	¥ 724	¥ 2,349	\$ 6,454
Adjustments for:			
Depreciation and amortization	987	892	8,798
Interest and dividend income	(96)	(182)	(856)
Foreign exchange (gain) loss, net	(59)	129	(526)
Decrease (increase) in notes and accounts receivable	432	(674)	3,851
Increase in inventories	(81)	(10)	(722)
(Decrease) increase in accounts payable - trade	(164)	250	(1,462)
Other, net	(2,173)	(24)	(19,370)
Subtotal	(430)	2,730	(3,833)
Income taxes paid	(436)	(923)	(3,887)
Net cash (used in) provided by operating activities	(866)	1,807	(7,720)
Investing activities:			
(Increase) decrease in time deposits with original maturities in excess of three months	(1,276)	2,816	(11,375)
Redemption of marketable securities	399	100	3,557
Purchases of property, plant and equipment	(675)	(680)	(6,017)
Purchases of intangible assets	(58)	(47)	(517)
Purchases of investments in securities	(645)	(1,330)	(5,750)
Proceeds from sales and redemption of investments in securities	598	121	5,331
Interest and dividend income received	110	181	981
Other, net	(407)	1,823	(3,628)
Net cash (used in) provided by investing activities	(1,954)	2,984	(17,418)
Financing activities:			
Purchases of treasury stock	(0)	(1)	(0)
Cash dividends paid	(415)	(563)	(3,700)
Net cash used in financing activities	(415)	(564)	(3,700)
Effect of exchange rate changes on cash and cash equivalents	51	(242)	455
Net (decrease) increase in cash and cash equivalents	(3,184)	3,985	(28,383)
Cash and cash equivalents at beginning of year	32,195	28,210	286,994
Cash and cash equivalents at end of year (Note 3)	¥ 29,011	¥ 32,195	\$ 258,611

See accompanying Notes to consolidated financial statements.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

March 31, 2017

1. Basis of Preparation

The accompanying consolidated financial statements of ICOM INCORPORATED (the “Company”) and its subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made to the consolidated financial statements issued domestically for the convenience of readers outside Japan. Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended March 31, 2016 to the 2017 presentation. Such reclassifications had no effect on consolidated net income or net assets.

In addition, the notes to the consolidated financial statements include certain information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, and has been made at ¥112.18 = U.S.\$1.00, the approximate rate of exchange in effect on March 31, 2017. This translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and the companies which it controls directly or indirectly. Two companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the accompanying consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized intercompany gains and losses among the Company and the subsidiaries have been entirely eliminated.

The financial statements of certain consolidated subsidiary whose fiscal year end is December 31 has been included in consolidation on the basis of a full fiscal year closing on March 31 for consolidation purposes.

(b) Cash and cash equivalents

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash on hand, deposits with banks withdrawable on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in their value and which were purchased with an original maturity of three months or less.

(c) Foreign currency translation

The balance sheet accounts of the overseas subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. Adjustments resulting from translating accounts denominated in foreign currencies are not included in the determination of profit in the accompanying consolidated financial statements, but are reported as “Translation adjustments,” a component of net assets.

Revenue and expense accounts are translated at the average rates of exchange in effect during the year.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates. Gain or loss on each translation is credited or charged to income.

(d) Marketable securities and investments in securities

In general, securities are classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, are credited or charged to income. Held-to-maturity debt securities are stated at their amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Securities held by the Company and its subsidiaries including investments in securities, which are not accounted for on an equity basis, are all classified as “other securities” and have been accounted for as outlined above.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(e) Inventories

Inventories are mainly stated at the lower of cost or net selling value, cost being determined by the moving average method, except for goods held by certain overseas subsidiaries which are valued at the lower of cost or market, cost being determined by the moving average method.

(f) Property, plant and equipment (except for leased assets)

Property, plant and equipment are stated at cost. Depreciation of property, plant and equipment is computed principally by the declining-balance method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan, except that the straight-line method is applied to buildings (other than structures attached to the buildings) acquired on or after April 1, 1998 and structures attached to buildings and other structures acquired on or after April 1, 2016. Small assets owned by the Company and its domestic subsidiaries, which are valued at ¥100 thousand or more and less than ¥200 thousand, are depreciated by the straight-line method over a three-year period.

(g) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets as prescribed in the Corporation Tax Law of Japan. Expenditures related to the development of computer software intended for internal use are charged to income when incurred, except if it is anticipated that this software will contribute to the generation of income or to future cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over an estimated useful life of 3 or 5 years. Small assets owned by the Company and its domestic subsidiaries, which are valued at ¥100 thousand or more and less than ¥200 thousand, are amortized by the straight-line method over a three-year period.

(h) Leased assets

Leased assets are depreciated by the straight-line method over respective lease periods with no residual value.

(i) Allowance for doubtful accounts

The allowance for doubtful accounts is computed based on the historical ratio of bad debts and an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

(j) Accrued bonuses

Accrued bonuses are calculated based on the estimated amount to be paid to employees after the balance sheet date, which are attributable to the current fiscal year.

(k) Warranty reserves

Warranty reserves for certain overseas subsidiaries are provided for anticipated future repair costs based on the historical ratio calculated using product repair costs against net sales, which are attributable to the current fiscal year.

(l) Liability for retirement benefits

Liability for retirement benefits is provided mainly at an amount calculated based on the retirement benefit obligation less the fair value of the pension plan assets. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

Actuarial gain or loss is being amortized in the year following the year in which the gain or loss is recognized by the straight-line method over ten years, which is within the average remaining years of service of eligible employees.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

2. Summary of Significant Accounting Policies (continued)

(m) Hedge accounting

The Company utilizes derivative transactions in order to manage the risks arising from adverse fluctuation in foreign currency exchange rates. In accordance with internal management rules, the Company enters into forward foreign exchange contracts which fall within the Company's foreign currency or foreign currency receivables holding limits. Derivative transactions are not entered into for speculative purposes.

Under the accounting standard for financial instruments, gain or loss on derivatives designated as hedging instruments is deferred until the loss or gain on the underlying hedged items is recognized. Forward foreign exchange contracts which meet certain conditions are accounted for by a method under which the foreign currency deposits and receivables are translated at their corresponding forward foreign exchange contract rates ("Allocation method.")

The evaluation of effectiveness of such forward foreign exchange contracts is omitted because significant terms of the hedging instruments and underlying hedged items are the same and the Company assumes that movements in cash flows are completely offset.

(n) Distribution of retained earnings

Under the Companies Act of Japan and the Company's Articles of Incorporation, the distribution of retained earnings with respect to a given fiscal year end is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period. The distribution of retained earnings with respect to interim financial periods is made by resolution of the Board of Directors. (Please refer to Note 16.)

(Changes in Accounting Policies)

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

In line with the revised Corporation Tax Act of Japan the Company adopted the "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force ("PITF") No.32 issued on June 17, 2016) and changed the depreciation method for structures attached to buildings and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This change had no impact on the consolidated financial statements.

(Additional Information)

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

Effective from the fiscal year ended March 31, 2017, the Company and its domestic subsidiaries adopted "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26, issued on March 28, 2016.)

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

3. Cash and Cash Equivalents

In the preparation of the consolidated statements of cash flows, the relationship between the items included in cash and cash equivalents and the corresponding amounts reflected in the consolidated balance sheets at March 31, 2017 and 2016 is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Cash and deposits	¥ 31,091	¥ 32,986	\$ 277,153
Marketable securities	300	401	2,674
Subtotal	¥ 31,391	¥ 33,387	\$ 279,827
Time deposits with original maturities in excess of three months	(2,080)	(791)	(18,542)
Marketable securities with original maturities in excess of three months	(300)	(401)	(2,674)
Cash and cash equivalents	¥ 29,011	¥ 32,195	\$ 258,611

4. Financial Instruments

(1) General information

i) Policy for financial instruments

In consideration of plans for capital investment, which is mainly centered on radio manufacturing and sales, the Group obtains necessary financing through its own funds. The Group manages surplus funds through financial assets that have high levels of liquidity. The Group uses derivatives for the purpose of reducing risk and does not enter into derivatives for speculative or trading purposes.

ii) Types of financial instruments and related risk

Notes and accounts receivable are exposed to credit risk in relation to customers. In addition, the Group is exposed to foreign currency exchange rate fluctuation risk arising from trade receivables denominated in foreign currencies.

Marketable securities and investments in securities are exposed to market risk. Those securities are composed of mainly corporate bonds in other securities and the shares of common stock of other companies with which it has business relationships. Fair values of those securities are periodically reviewed and reported to board of directors meetings.

Most of Trade accounts payable have payment due dates within two months. The Group is exposed to foreign currency exchange rate fluctuation risk arising from those denominated in foreign currencies.

Regarding derivatives, the Group enters into forward foreign exchange contracts to reduce the foreign currency exchange rate fluctuation risk arising from cash and deposits and receivables denominated in foreign currencies, and utilizes compound financial instruments for the purpose of efficient management of surplus funds. Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in “(m) Hedge accounting” in Note 2 “Summary of Significant Accounting Policies”.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(1) General information (continued)

iii) Risk management for financial instruments

(a) Monitoring of credit risk (the risk that customers or counterparties may default)

In accordance with the internal policies for managing credit risk of the Group arising from trade receivables, the credit department monitors credit worthiness of main customers periodically, in principle, and monitors due dates and outstanding balances by customer. In addition, the Group is making efforts to identify and mitigate risks of bad debt from customers who have financial difficulties.

In accordance with the internal policies for security management, the Group only acquires corporate bonds or other securities with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such debt securities is insignificant.

The Group also believes that the credit risk of derivatives is insignificant as the Group enters into derivative transactions only with financial institutions with high credit ratings.

(b) Monitoring of market risks (the risks arising from fluctuations in foreign exchange rates, interest rates and others)

For cash and deposits denominated in foreign currencies, in principle, for a portion of receivables denominated in foreign currencies, the Group identifies the foreign currency exchange risk by each currency and enters into forward foreign exchange contracts to hedge such risk.

For marketable securities and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers. In addition, the Group continuously evaluates whether securities should be maintained taking into account their fair values and the relationships with the issuers.

For derivative transactions, the accounting department of the Company enters into and manages transactions, and a representative director, in advance, approves them within the limits reported at the Board of Directors meeting. Results of derivative transactions are reported at the monthly Board of Directors meetings. The consolidated subsidiaries do not enter into derivative transactions.

(c) Monitoring of liquidity risk (the risk that the Group may not be able to meet its obligations on the scheduled due dates)

Based on reports from each division, the accounting department of the Company prepares and updates its cash flow plans on a timely basis and maintains liquidity of assets for payment to manage liquidity risk. The consolidated subsidiaries monitor liquidity risk in the same manner.

iv) Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair values.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(2) Estimated fair value of financial instruments

The carrying value, fair value and unrealized gain (loss) of the financial instruments on the consolidated balance sheets at March 31, 2017 and 2016 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value. (Please refer to Note ii below).

<i>Millions of yen</i>								
			2017			2016		
			Carrying value	Fair value	Unrealized gain (loss)	Carrying value	Fair value	Unrealized gain (loss)
Assets								
(1)	Cash and deposits		¥ 31,091	¥ 31,091	¥ –	¥ 32,986	¥ 32,986	¥ –
(2)	Notes and accounts receivable		4,686	4,686	–	5,144	5,144	–
(3)	Marketable securities and investments in securities		2,926	2,926	–	3,227	3,227	–
	Total assets		¥ 38,703	¥ 38,703	¥ –	¥ 41,357	¥ 41,357	¥ –
Liabilities								
(1)	Accounts payable - trade		¥ 1,154	¥ 1,154	¥ –	¥ 1,328	¥ 1,328	¥ –
	Total liabilities		¥ 1,154	¥ 1,154	¥ –	¥ 1,328	¥ 1,328	¥ –

<i>Thousands of U.S. dollars</i>			
2017			
	Carrying value	Fair value	Unrealized gain (loss)
Assets			
(1) Cash and deposits	\$ 277,153	\$ 277,153	\$ –
(2) Notes and accounts receivable	41,772	41,772	–
(3) Marketable securities and investments in securities	26,083	26,083	–
Total assets	\$ 345,008	\$ 345,008	\$ –
Liabilities			
(1) Accounts payable - trade	\$ 10,287	\$ 10,287	\$ –
Total liabilities	\$ 10,287	\$ 10,287	\$ –

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(2) Estimated fair value of financial instruments (continued)

Notes:

i) Methods to determine the fair value of financial instruments are as follows:

Assets

(1) Cash and deposits, and (2) Notes and accounts receivable

Since these items are settled in a short period of time, their carrying value approximate the fair value.

(3) Marketable securities and investments in securities

The fair value of equity securities is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or the prices provided by the financial institutions making markets for these securities. For information on securities classified by holding purpose, please refer to Note 5.

Liabilities

(1) Accounts payable - trade

Since this item is settled in a short period of time, its carrying value approximates the fair value.

ii) Financial instruments for which it is extremely difficult to determine the fair value are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Unlisted equity securities	¥ 258	¥ 248	\$ 2,300

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, they are not included in above “(3) Marketable securities and investments in securities” and in the preceding table “(2) Estimated fair value of financial instruments.”

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

4. Financial Instruments (continued)

(3) Redemption schedule

The redemption schedule for financial instruments receivable and marketable securities and investments in securities with maturity dates is summarized as follows:

<i>Millions of yen</i>									
2017					2016				
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years		Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 31,091	¥ –	¥ –	¥ –		¥ 32,986	¥ –	¥ –	¥ –
Notes and accounts receivable	4,686	–	–	–		5,144	–	–	–
Marketable securities and investments in securities:									
Other securities with maturity dates									
Corporate bonds	200	400	900	1,000		400	300	1,000	1,100
Other	100	–	–	–		–	100	–	–
Total	¥ 36,077	¥ 400	¥ 900	¥ 1,000		¥ 38,530	¥ 400	¥ 1,000	¥ 1,100

<i>Thousands of U.S. dollars</i>									
2017									
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years		Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 277,153	\$ –	\$ –	\$ –					
Notes and accounts receivable	41,772	–	–	–					
Marketable securities and investments in securities:									
Other securities with maturity dates									
Corporate bonds	1,783	3,566	8,023	8,914					
Other	891	–	–	–					
Total	\$ 321,599	\$ 3,566	\$ 8,023	\$ 8,914					

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Marketable Securities and Investments in Securities

Marketable securities and investments in securities classified as other securities at March 31, 2017 and 2016 are summarized as follows:

	Millions of yen					
	2017			2016		
	Carrying value	Acquisition cost	Unrealized gain (loss)	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:						
Equity securities	¥ 170	¥ 136	¥ 34	¥ 37	¥ 11	¥ 26
Corporate bonds	1,892	1,851	41	2,824	2,755	69
Subtotal	2,062	1,987	75	2,861	2,766	95
Securities whose carrying value does not exceed their acquisition cost:						
Equity securities	147	182	(35)	257	319	(62)
Corporate bonds	717	721	(4)	109	111	(2)
Subtotal	864	903	(39)	366	430	(64)
Total	¥ 2,926	¥ 2,890	¥ 36	¥ 3,227	¥ 3,196	¥ 31

<i>Thousands of U.S. dollars</i>			
	2017		
	Carrying value	Acquisition cost	Unrealized gain (loss)
Securities whose carrying value exceeds their acquisition cost:			
Equity securities	\$ 1,515	\$ 1,212	\$ 303
Corporate bonds	16,866	16,500	366
Subtotal	18,381	17,712	669
Securities whose carrying value does not exceed their acquisition cost:			
Equity securities	1,310	1,622	(312)
Corporate bonds	6,392	6,427	(35)
Subtotal	7,702	8,049	(347)
Total	\$ 26,083	\$ 25,761	\$ 322

Since there is no market price for unlisted equity securities and it is difficult to determine the fair value, unlisted equity securities of ¥258 million (\$2,300 thousand) and ¥248 million at March 31, 2017 and 2016, respectively, are not included in the above table.

Sales of other securities for the years ended March 31, 2017 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Sales	¥ 98	¥ 19	\$ 874
Aggregate gain	56	9	499

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Inventories

Inventories at March 31, 2017 and 2016 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Merchandise and finished products	¥ 3,107	¥ 3,366	\$ 27,697
Work in process	67	213	597
Raw materials and supplies	3,248	2,800	28,953
Total	¥ 6,422	¥ 6,379	\$ 57,247

Cost of sales included loss on devaluation of inventories of ¥50 million (\$446 thousand) and ¥106 million for the years ended March 31, 2017 and 2016, respectively.

7. Retirement Benefits Plans

(1) Outline of retirement benefits for employees

The Company and its domestic subsidiaries have employees' defined benefit pension plans, i.e., corporate pension plans and lump-sum payment plans.

The Company and its domestic subsidiaries pay additional retirement benefits to employees under certain circumstances.

Certain consolidated subsidiaries calculate the liability for retirement benefits based on the simplified method. Under the simplified method retirement benefit obligation has been calculated based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

(2) Liability for retirement benefits for the years ended March 31, 2017 and 2016

- i) The changes in retirement benefit obligation are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Retirement benefit obligation at beginning of year	¥ 5,327	¥ 4,045	\$ 47,486
Service cost	222	166	1,979
Interest cost	44	81	392
Actuarial loss	77	1,088	686
Retirement benefits paid	(87)	(53)	(775)
Retirement benefit obligation at end of year	¥ 5,583	¥ 5,327	\$ 49,768

- ii) The changes in plan assets at fair value are outlined as follows (except for retirement benefit obligation calculated by simplified method):

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Plan assets at fair value at beginning of year	¥ 4,208	¥ 4,156	\$ 37,511
Expected return on plan assets	74	83	660
Actuarial gain (loss)	184	(280)	1,640
Contributions by the employer	308	302	2,745
Retirement benefits paid	(87)	(53)	(775)
Plan assets at fair value at end of year	¥ 4,687	¥ 4,208	\$ 41,781

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

7. Retirement Benefits Plans (continued)

(2) Liability for retirement benefits for the years ended March 31, 2017 and 2016 (continued)

iii) The changes in retirement benefits obligation calculated by simplified method are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Retirement benefit obligation at beginning of year	¥ 332	¥ 291	\$ 2,959
Retirement benefits expenses	49	46	437
Retirement benefits paid	(9)	(5)	(80)
Retirement benefit obligation at end of year	¥ 372	¥ 332	\$ 3,316

iv) The balance of retirement benefit obligation and plan assets at fair value, liabilities and assets recognized in the consolidated balance sheets are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Funded retirement benefit obligation	¥ 5,583	¥ 5,327	\$ 49,768
Plan assets at fair value	(4,687)	(4,208)	(41,781)
	896	1,119	7,987
Unfunded retirement benefit obligation	372	332	3,316
Net amount of liabilities and assets recognized in consolidated balance sheets	1,268	1,451	11,303
Liability for retirement benefits	1,268	1,451	11,303
Net amount of liabilities and assets recognized in consolidated balance sheets	¥ 1,268	¥ 1,451	\$ 11,303

v) The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Service cost	¥ 271	¥ 212	\$ 2,416
Interest cost	44	81	392
Expected return on plan assets	(74)	(83)	(660)
Amortization:			
Actuarial loss (gain)	139	(6)	1,239
Retirement benefit expenses	¥ 380	¥ 204	\$ 3,387

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

7. Retirement Benefits Plans (continued)

(2) Liability for retirement benefits for the years ended March 31, 2017 and 2016 (continued)

- vi) The component of retirement benefit liability adjustments included in other comprehensive income (loss) before tax effects are outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Actuarial gain (loss)	¥ 246	¥ (1,374)	\$ 2,193
	¥ 246	¥ (1,374)	\$ 2,193

- vii) The balance of retirement benefit liability adjustments recognized in accumulated other comprehensive income (loss) before tax effects is outlined as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Unrecognized actuarial loss	¥ (363)	¥ (609)	\$ (3,236)
Total	¥ (363)	¥ (609)	\$ (3,236)

- viii) The plan assets by major category consist of the following:

	2017	2016
Bonds	52.0%	52.0%
Equities	47.0%	46.0%
Cash and deposits	1.0%	2.0%
Total	100.0%	100.0%

The expected long-term rate of return on plan assets is has been estimated based on the consideration of both the portfolio allocation to each class at present and in the future and long-term expected rate of return from plan assets held in each category at present and in the future.

- ix) The assumptions used in accounting for the defined benefit pension plans for the years ended March 31, 2017 and 2016 are as follows:

	2017	2016
Discount rates	0.8%	0.8%
Expected long-term rates of return on plan assets	1.8%	2.0%
Expected rate of compensation increases	1.6%	1.6%

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

8. Income Taxes

Income taxes applicable to the Company and its domestic subsidiaries comprise corporation, enterprise and inhabitants' taxes which, in the aggregate, resulted in statutory tax rates of approximately 30.8% and 33.0% for the years ended March 31, 2017 and 2016, respectively. The overseas subsidiaries are subject to income taxes of the respective countries in which they operate.

Reconciliations of the statutory tax rates and effective tax rates for the years ended March 31, 2017 and 2016 as a percentage of profit before income taxes are as follows:

	<u>2017</u>	<u>2016</u>
Statutory tax rates	30.8%	33.0%
Entertainment expense	2.0	0.6
Per capita portion of inhabitants' taxes	2.9	0.9
Tax credit for research and development costs	(4.4)	(7.0)
Differences in tax rates applicable to overseas subsidiaries	(1.4)	(0.4)
Income taxes for prior period	(2.6)	–
Unrealized gain on inventories	8.8	–
Effect of changes in corporate tax rates	–	1.5
Other	(1.5)	0.7
Effective tax rates	<u>34.6%</u>	<u>29.3%</u>

The significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	<u>2017</u>	<u>2016</u>	<u>2017</u>
Deferred tax assets:			
Unrealized gain on inventories	¥ 128	¥ 270	\$ 1,141
Long-term accounts payable - other	154	155	1,372
Accrued bonuses	121	140	1,079
Accrued enterprise tax	17	25	152
Deferred revenue	27	37	241
Liability for retirement benefits	386	441	3,441
Allowance for doubtful accounts	21	25	187
Write down of investments in securities	23	23	205
Accrued legal welfare expense on bonuses	18	21	160
Net operating loss carryforward	194	85	1,729
Other	96	98	856
Gross deferred tax assets	<u>1,185</u>	1,320	<u>10,563</u>
Valuation allowance	<u>(41)</u>	<u>(41)</u>	<u>(365)</u>
Total deferred tax assets	<u>1,144</u>	<u>1,279</u>	<u>10,198</u>
Deferred tax liabilities:			
Gain on sales of property, plant and equipment	(234)	(236)	(2,086)
Depreciation	(10)	(30)	(89)
Accrued interest	(1)	(1)	(9)
Reserve for special depreciation	–	(1)	–
Other	(11)	(11)	(98)
Total deferred tax liabilities	<u>(256)</u>	<u>(279)</u>	<u>(2,282)</u>
Net deferred tax assets	<u>¥ 888</u>	<u>¥ 1,000</u>	<u>\$ 7,916</u>

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

9. Shareholders' Equity

The Companies Act (the "Act") provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at March 31, 2017 and 2016 amounted to ¥293 million (\$2,612 thousand).

In addition, upon the issuance and sale of new shares of capital stock, the entire amount of the proceeds is required to be accounted for as capital stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital included in capital surplus.

Movements in treasury stock for the years ended March 31, 2017 and 2016 are summarized as follows:

Number of shares				
2017				
	April 1, 2016	Increase	Decrease	March 31, 2017
Shares issued:				
Common stock	14,850,000	—	—	14,850,000
Treasury stock:				
Common stock	32,083	107	—	32,190
Number of shares				
2016				
	April 1, 2015	Increase	Decrease	March 31, 2016
Shares issued:				
Common stock	14,850,000	—	—	14,850,000
Treasury stock:				
Common stock	31,783	300	—	32,083

The increases in treasury stock were due to purchases of shares of less than one voting unit.

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Notes to Consolidated Financial Statements

10. Derivatives and Hedging Activities

The estimated fair value of the derivatives positions outstanding which qualify for hedge accounting at March 31, 2017 is summarized as follows:

Currency-related transactions

Method of hedge accounting	Transaction	Major hedged item	<i>Millions of yen</i>			<i>Thousands of U.S. dollars</i>		
			2017			2017		
			Notional amount	More than one year	Fair value	Notional amount	More than one year	Fair value
Allocation method for forward foreign exchange contracts	Forward foreign exchange contracts							
	Sell: EUR	Foreign currency deposits	¥ 993	¥ —	¥ —	\$8,852	\$ —	\$ —
	Total		¥ 993	¥ —	¥ —	\$8,852	\$ —	\$ —

There were no derivatives positions outstanding which qualify for hedge accounting at March 31, 2016.

The forward foreign exchange contracts that qualify for the allocation method and the underlying foreign currency deposits are accounted for as a unit. Therefore, the fair value of the forward foreign exchange contracts is included in cash and deposits.

11. Research and Development Costs

Research and development costs included in selling, general and administrative expenses for the years ended March 31, 2017 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Research and development costs	¥ 3,277	¥ 3,144	\$ 29,212

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

12. Other Comprehensive Income (Loss)

Reclassification adjustments and tax effects of other comprehensive income (loss) for the years ended March 31, 2017 and 2016 are as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 53	¥ 3	\$ 473
Reclassification adjustments	(50)	—	(446)
Before tax effects	3	3	27
Tax effects	(1)	(0)	(9)
Net unrealized holding gain on securities	2	3	18
Translation adjustments:			
Amount arising during the year	(58)	(507)	(517)
Retirement benefit liability adjustments:			
Amount arising during the year	107	(1,368)	954
Reclassification adjustments	139	(6)	1,239
Before tax effects	246	(1,374)	2,193
Tax effects	(75)	433	(669)
Retirement benefit liability adjustments	171	(941)	1,524
Total other comprehensive income (loss)	¥ 115	¥ (1,445)	\$ 1,025

13. Amounts Per Share

Amounts per share at March 31, 2017 and 2016 and for the years then ended are as follows:

	<i>Yen</i>		<i>U.S. dollars</i>
	2017	2016	2017
Net assets	¥ 3,625.42	¥ 3,613.66	\$ 32.32
Profit attributable to owners of parent:			
Basic	31.98	112.03	0.29
Cash dividends	20.00	36.00	0.18

Net assets per share is computed based on net assets and the number of shares of common stock outstanding at respective years end.

Basic profit attributable to owners of parent per share is computed based on the profit attributable to owners of parent available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each year. Cash dividends per share represent the cash dividends declared as applicable to the respective fiscal years.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. Segment Information

i) Outline of segment information

The Company's reporting segments are divisions of the Company for which separate financial information is available, and whose operating results are reviewed regularly by the board of directors meeting of the Company (the highest management decision making body) in order to allocate management resources and assess performance of operations.

The Company and its subsidiaries are primarily engaged in the manufacture and sale of telecommunications equipment. The subsidiaries are independent business units and formulate comprehensive strategies for products and operate business geographically.

Therefore, the group consists of four segments based on sales by region. The four segments are "Japan," "North America," which primarily includes the United States and Canada; "Europe," which primarily includes Germany and Spain; and "Asia & Oceania," which primarily includes Australia, Taiwan and China.

ii) Calculation methods used for sales, income or loss, assets and other items on each reporting segment

The accounting policies of the segments are substantially the same as those described in the significant accounting policies in Note 2. Segment performance is evaluated based on operating income or loss. Intersegment sales are recorded at the same prices applied in transactions with third parties.

Change in Depreciation Method

The Company adopted "Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (PITF No.32 issued on June 17, 2016) in accordance with the revision of the Corporation Tax Law of Japan, and changed the method of accounting for depreciation of structures attached to buildings and other structures acquired on or after April 1, 2016 from the declining-balance method to the straight-line method.

This change had no impact on the consolidated financial statements.

iii) Information as to sales, income or loss, assets and other items on each reporting segment

Information by reporting segment for the years ended March 31, 2017 and 2016 are as follows:

	<i>Millions of yen</i>						
	2017						
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated
I. Net sales and operating income (loss)							
Sales to third parties	¥ 14,780	¥ 7,319	¥ 1,070	¥ 923	¥ 24,092	¥ –	¥ 24,092
Intersegment sales	5,996	6	–	349	6,351	(6,351)	–
Net sales	20,776	7,325	1,070	1,272	30,443	(6,351)	24,092
Operating expenses	20,276	7,362	1,034	1,241	29,913	(6,553)	23,360
Operating income (loss)	¥ 500	¥ (37)	¥ 36	¥ 31	¥ 530	¥ 202	¥ 732
II. Total assets	¥ 51,869	¥ 5,737	¥ 756	¥ 1,915	¥ 60,277	¥ (1,953)	¥ 58,324
III. Other items							
Depreciation and amortization	¥ 880	¥ 95	¥ 4	¥ 8	¥ 987	¥ –	¥ 987
Investments in affiliates	96	–	–	–	96	–	96
Increase in property, plant and equipment / intangible assets	589	93	1	11	694	–	694

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Notes to Consolidated Financial Statements

14. Segment Information (continued)

iii) Information as to sales, profit or loss, assets and other items on each reporting segment (continued)

<i>Millions of yen</i>								
2016								
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating income (loss)								
Sales to third parties	¥ 16,006	¥ 8,876	¥ 1,091	¥ 902	¥ 26,875	¥ –	¥ 26,875	
Intersegment sales	7,123	3	0	408	7,534	(7,534)	–	
Net sales	23,129	8,879	1,091	1,310	34,409	(7,534)	26,875	
Operating expenses	20,920	8,869	1,096	1,343	32,228	(7,721)	24,507	
Operating income (loss)	¥ 2,209	¥ 10	¥ (5)	¥ (33)	¥ 2,181	¥ 187	¥ 2,368	
II. Total assets	¥ 52,476	¥ 6,184	¥ 767	¥ 1,825	¥ 61,252	¥ (2,051)	¥ 59,201	
III. Other Items								
Depreciation and amortization	¥ 778	¥ 98	¥ 6	¥ 10	¥ 892	¥ –	¥ 892	
Investments in affiliates	85	–	–	–	85	–	85	
Increase in property, plant and equipment / intangible assets	731	38	5	5	779	–	779	
<i>Thousands of U.S. dollars</i>								
2017								
	Japan	North America	Europe	Asia & Oceania	Subtotal	Eliminations	Consolidated	
I. Net sales and operating income (loss)								
Sales to third parties	\$ 131,753	\$ 65,243	\$ 9,538	\$ 8,228	\$ 214,762	\$ –	\$ 214,762	
Intersegment sales	53,450	53	–	3,111	56,614	(56,614)	–	
Net sales	185,203	65,296	9,538	11,339	271,376	(56,614)	214,762	
Operating expenses	180,745	65,627	9,217	11,063	266,652	(58,415)	208,237	
Operating income (loss)	\$ 4,458	\$ (331)	\$ 321	\$ 276	\$ 4,724	\$ 1,801	\$ 6,525	
II. Total assets	\$ 462,373	\$ 51,141	\$ 6,739	\$ 17,071	\$ 537,324	\$ (17,410)	\$ 519,914	
III. Other items								
Depreciation and amortization	\$ 7,845	\$ 847	\$ 36	\$ 71	\$ 8,799	\$ –	\$ 8,799	
Investments in affiliates	856	–	–	–	856	–	856	
Increase in property, plant and equipment / intangible assets	5,250	829	9	98	6,186	–	6,186	

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

14. Segment Information (continued)

iv) Geographical information

(a) Sales

Sales categorized by country and region based on locations of customers by the Group for the years ended March 31, 2017 and 2016 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Japan	¥ 7,971	¥ 8,840	\$ 71,055
USA	5,391	6,864	48,056
North America (except for the USA)	1,113	1,266	9,922
Europe	3,592	3,790	32,020
Asia & Oceania	5,345	5,266	47,647
Other	680	849	6,062
Total	¥ 24,092	¥ 26,875	\$ 214,762

(b) Property, plant and equipment

Property, plant and equipment categorized by country and region at March 31, 2017 and 2016 were summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Japan	¥ 6,068	¥ 6,381	\$ 54,092
USA	1,218	1,283	10,858
North America (except for the USA)	13	13	116
Europe	9	13	80
Asia & Oceania	171	178	1,524
Total	¥ 7,479	¥ 7,868	\$ 66,670

Disclosure of the information by product and service for the years ended March 31, 2017 and 2016 has been omitted as sales of products and services to external customers in a single segment account for more than 90% of net sales in the consolidated statement of income.

Disclosure of the information by major customers for years ended March 31, 2017 and 2016 has been omitted as sales to each customer were less than 10% of consolidated net sales.

ICOM INCORPORATED AND SUBSIDIARIES

Notes to Consolidated Financial Statements

15. Significant Subsidiaries and Affiliates

The Company's subsidiaries and significant affiliates at March 31, 2017 are presented as follows:

Name	Ownership Interest	Country of Incorporation	Subsidiaries/Affiliate
Icom America, Inc.	100.0%	United States of America	Consolidated subsidiary
Icom (Europe) GmbH	100.0%	Germany	Consolidated subsidiary
Icom (Australia) Pty., Ltd.	100.0%	Australia	Consolidated subsidiary
Icom Spain, S.L.	100.0%	Spain	Consolidated subsidiary
Asia Icom Inc.	100.0%	Taiwan	Consolidated subsidiary
PURECOM CO., LTD.	100.0%	China	Consolidated subsidiary
Wakayama Icom Inc.	100.0%	Japan	Consolidated subsidiary
Icom Information Products Inc.	100.0%	Japan	Consolidated subsidiary
Icom America License Holding LLC	100.0%	United States of America	Consolidated sub-subsidiary
ICOM CANADA HOLDINGS INC.	100.0%	Canada	Consolidated sub-subsidiary
ICOM DO BRASIL RADIOCOMUNICACAO LTDA.	100.0%	Brazil	Consolidated sub-subsidiary
Comforce Inc.	49.0%	Japan	Affiliate accounted for by the equity method
Position Co., Ltd.	33.3%	Japan	Affiliate accounted for by the equity method

16. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended March 31, 2017, was approved at the Company's general shareholders' meeting held on June 27, 2017:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2017	2016	2017
Cash dividends (¥10 = U.S.\$0.09 per share)	¥ 148	¥ 267	\$ 1,319

Independent Auditor's Report

The Board of Directors
ICOM INCORPORATED

We have audited the accompanying consolidated financial statements of ICOM INCORPORATED and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ICOM INCORPORATED and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 27, 2017
Osaka, Japan

Ernst & Young Shinnihon LLC

BOARD OF DIRECTORS AND AUDITORS

Tokuzo Inoue
Chairman and Representative Director
Tsutomu Fukui
President and Representative Director
Nobuo Ogawa
Executive Managing Director
Hiroshi Shimizu
Director
Kenichi Kojiyama
Director
Masataka Harima
Director
Haruyuki Yoshizawa
Outside Director
Toshihiko Sano
Auditor
Hiroshi Umemoto
Outside Auditor
Katsunori Sugimoto
Outside Auditor

EXECUTIVE OFFICERS

Hiroshi Nakaoka
Takashi Tsujiuchi
Shinichi Matsuo
Shigeyoshi Tanabe
Yoshiteru Yano
Yoshiki Enomoto
Shu Kitaguchi

DIRECTORY

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CORPORATE FACTS

(As of March 31, 2017)
Established: July 1964
Employees: 641
Paid-in capital: ¥7,081 million
Authorized shares: 34,000,000
Issued and outstanding shares:
14,850,000
Shareholders: 8,216
Stock listing: Tokyo Stock Exchange

(As of March 31, 2017)

Major shareholders	Thousands of shares
State Street Bank and Trust Company	1,926
Tokuzo Inoue	1,868
Gigapalace Inc.	1,472
The Icom Foundation	1,000
The Master Trust Bank of Japan, Ltd.	457
JVC KENWOOD Corporation	445
Meiji Yasuda Life Insurance Company	326
UBS AG LONDON A/C IPB SEGREGATED CLIENT ACCOUNT	266
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	243
The Hiroshima Bank, Ltd.	240